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Iran Signs \$5-Billion Trade Deal With Paris

PARIS, June 27 (UPI).—France and Iran today announced agreement on a broad range of industrial projects worth about \$5 billion.

In an unprecedented gesture, Iran agreed to pay \$1 billion to the Bank of France, in installments, as advance payment for industrial goods to come.

Announcement of the accords caused the franc to spurt upward in late trading among banks. After closing at 4.8350-4.8355 to the dollar on the official foreign exchange market, the franc was later quoted at 4.8050-4.8150.

French Finance Minister Jean-Pierre Fourcade, who signed the financial protocol with his Iranian counterpart, Hushang Ansari, said the cooperative agreement "represents fabulous sums of money for our industry."

The contracts followed three days of talks between the shah of Iran and President Valéry Giscard d'Estaing. The Iranian ruler and his wife went to southern France for a two-day private tour.

An Elysee Palace spokesman said the accords included increased oil deliveries by Iran. The amount of the increase was not specified.

The advance payment for French goods is expected to ease pressure on the French balance of trade, which was \$1.8 billion in deficit in the first five months of the year.

The spokesman said French firms have received or will be awarded the following contracts:

- Construction of five atomic power plants of 1,000 megawatts each for an overall cost of \$1.2 billion.
- Cressot-Loire, S.A. will build a steel plant.
- The shah has ordered an unspecified amount of military equipment, including high-speed patrol boats.

- Construction of a Tehran subway system costing between \$600 million and \$1 billion.
- Construction of a large-scale natural gas pipeline and 12 large tankers.

France also has been asked to participate in electrification of the Iranian railroad system.

Gas Strike Off Iran

TOKYO, June 27 (Reuters).—An undersea natural-gas field, being developed off Iran by Nisho-Iwai Co. of Japan with three Western companies, has been confirmed as one of the world's largest, the news agency Kyodo said.

Kyodo quoted Nisho-Iwai as saying the gas field lies off the Kangan district of western Iran. By mid-July Nisho-Iwai plans, together with the Western firms, to set up a joint liquefied natural-gas production enterprise in Iran with the National Iranian Gas Co. to develop the discovery commercially.

The three Western firms are International Systems and Control Corp.; Chicago Bridge and Iron Co.; and Simonsen and Astrup, a Norwegian shipowner, Kyodo said.

Labor Loses Another Vote In Parliament

LONDON, June 27 (Reuters).—The Labor government was defeated on a vote in the House of Commons tonight. It was the fourth such defeat in two weeks for the minority government, and observers said the losses were making an autumn general election a virtual certainty.

This time the issue was the government's policy on rates, the local taxes imposed on home owners and tenants, which were recently increased by up to 30 percent.

There were loud cheers from the opposition Conservative and Liberal members of Parliament when the result of the vote—18 to 28—was announced.

Speculation that there would be an early general election was heightened when Environment Minister Anthony Crosland told the House: "The final verdict on this will be decided by the electorate."

The 14 Liberal MPs voted with the Conservatives to defeat the Tories.

There actually were two votes separate motions. One urged review of local government rates and the other proposed relief for the persons most hit by the rate increases.

A government was defeated by a narrow margin on both votes. Legally, Prime Minister Harold Wilson is still not required to resign and call an election.



French Finance Minister Jean-Pierre Fourcade (right) and his Iranian counterpart, Hushang Ansari, signing the Franco-Iranian accord at French Finance Ministry yesterday.

Calls for 'Grave Sacrifices'

Rumor Outlines Italy Austerity Plan

By Paul Hofmann

ROME, June 27 (NYT).—Premier Mariano Rumor told parliament today that "grave sacrifices" were required to rescue Italy from financial disaster.

Speaking at the Chamber of Deputies, the government chief outlined an austerity program to raise 3.25 trillion lire (\$5 billion) annually in new revenue—nearly \$100 for every Italian.

The premier announced the adoption of a new system of random audits to catch tax dodgers.

As the chamber opened a debate on the proposed new taxes and other unpopular measures to head off the threat of national insolvency, millions of Italians were on strike today.

The nation's 1.7 million farm workers were under union orders to hold a 24-hour work stoppage to press for a countrywide contract.

Several million men in the metalworking industry, in the building trades and in other sectors walked out for half a day to support the agricultural workers and to protest the government's economic and social policies.

Newspaper Strike

Rumor and the rest of central Italy were without newspapers because typographers and news staffs started a two-day strike over a variety of grievances, including alleged maneuvers by big business groups to tighten their control of the press.

The state radio and television monopoly broadcast only general news summaries because most of its reporters had walked out in sympathy with their newspaper colleagues.

The national airline, Alitalia, announced that it would have to cancel most of its scheduled flights tomorrow because of a strike by cabin attendants.

Apart from specific complaints that vary from union to union, Italy's powerful labor front is harshly critical of the fiscal strategy that the government proposes to adopt.

At strike rallies today, labor leaders said that the unions and the workers were prepared to make sacrifices but would not tolerate privileged treatment for the upper classes.

In his speech to the chamber, Mr. Rumor promised that the government would seek a "socially acceptable" spread of the necessary new fiscal burdens.

He did not supply any details. He explained that the government was withholding information on the austerity measures to foil "countermoves" by speculators.

Mr. Nixon, who followed with a toast to his Soviet guest, sought to put the negotiations for détente on a personal basis.

Agreements already made, he said, "were possible because of a personal relationship that was established between the General Secretary [Mr. Brezhnev] and the President of the United States."

And that personal relationship extends to the top officials in both of our governments.

Yet when the President and his party arrived here early in the afternoon, Secretary of State Henry Kissinger had, in a series of news conferences and statements, expressed pessimism about the prospects of obtaining any important new breakthrough in the control of nuclear weapons.

In a press conference last night in Brussels, where Mr. Nixon conferred with European leaders, Mr. Kissinger said several minor agreements toward disarmament had been worked out and would be signed during the sessions here. But he said no permanent agreement on control of nuclear missiles would be reached, as had been hoped last spring, and some basic questions of approach had to be explored by the two leaders.

Some observers said Mr. Kissinger's remarks might have been unduly pessimistic—that some important agreements might be reached.

At the end of May, the Greek armed forces were reportedly put on alert when a Turkish oceanographic ship, accompanied by a flotilla of Turkish submarines and minesweepers, carried out such a testing mission.

Asked today about the danger of a new military confrontation, Mr. Ecevit said he did not want to make any interpretations which would aggravate the situation.

During the tense period in late May, U.S. diplomats in the region urged restraint and the use of negotiation on both sides.

Mr. Ecevit said today that he was distressed that the two allies and neighboring countries could not even establish a dialogue on the issue. He stressed that the Turkish proposals were still on the table if Greece decided to take them up later.

Nixon, Brezhnev Begin Talks, Vow to Seek Pact on A-Arms

Soviet Chief Comments on Critics in U.S.

By John Herbers

MOSCOW, June 27 (NYT).—President Nixon, arriving here today to a warm official welcome, joined Soviet leader Leonid Brezhnev for a third summit meeting, with both leaders stressing the need to reach a new accord on the control of nuclear weapons.

The two leaders pledged, in a brief statement issued after an initial session in the Kremlin, to make their negotiations over the next five days serve the "strengthening of universal peace." And in an exchange of toasts tonight, both expressed hope that despite great difficulties the meetings would be fruitful in the area of arms control.

Mr. Brezhnev, who was much more pointed in his remarks than his American visitor, bluntly charged that the obstacles to arms control rest largely in the United States.

Our American guests know better and in many details than we about those who oppose international détente, who favor whipping up the arms race and returning to the methods and mores of the cold war," he said in a speech following a state dinner in the Grand Hall of the Kremlin.

This was an obvious reference to a debate in the United States in which some members of Congress and officials in the government have expressed fears that the U.S.-Soviet negotiations may give the Russians a military advantage.

Mr. Brezhnev also made it clear that he would like Congress to enact Mr. Nixon's trade legislation "today." He said the "Soviet Union most favored-nation" status, it has been blocked partly because of amendments that would require the Soviet Union to adopt more liberal standards toward the emigration of Jews.

"Principles of Equality"

"The volume of trade [between the two countries] has increased several times over during the last two years," Mr. Brezhnev said. "And several long-term contracts have been signed. At the same time, we all know that much remains to be done here—both in the sense of making economic ties more balanced and stable, and in the sense of clearly establishing the principles of equality and respect for each other's interests in this area of relations."

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Soviet leader Leonid Brezhnev greeting President Nixon at Moscow Airport yesterday.

Seeking to Press Brezhnev Parley

Sadat Begins Bucharest, Sofia Trip

By Henry Tanner

CAIRO, June 27 (NYT).—President Anwar Sadat left for Bucharest today for a two-day trip to prepare a hoped-for Egyptian-Soviet summit meeting.

Mr. Sadat has said several times that it is Mr. Brezhnev's turn to visit Egypt. Mr. Sadat has been to Moscow four times since becoming President 3 1/2 years ago.

Mr. Sadat and Mr. Brezhnev have exchanged messages three times in the last two months, and the exchanges have been described by the Egyptians as warm and friendly. An Egyptian press campaign against the Soviet

Union, which coincided with Mr. Sadat's bitter public criticism of Soviet policies in March and April, stopped in early May.

The President's trip to Bucharest coincides with a changing focus in the Arab-Israeli conflict. For the last eight months, it was Egypt and Syria which held leading roles on the Arab side, first by fighting the October war and then by negotiating troop-disengagement agreements with Israel through U.S. Secretary of State Henry Kissinger.

All Arab observers here agree now that it is the Palestinians who have moved to the center of the stage.

Mr. Sadat will press the case of the Palestinians in Bucharest and Sofia, according to the Egyptian press.

Last year when Mr. Nixon visited Moscow, the Arab governments were disappointed over the fact that the Soviet-American communiqué barely mentioned the Middle East. They drew the conclusion that the superpowers were quite happy to let the status quo in the Middle East continue indefinitely, including Israeli occupation of Arab territories conquered in 1967. That conviction was one of the main reasons that Egypt and Syria launched the October war.

'National Rights'

"This time, the Arabs expect the Middle East to occupy a bigger place in the Nixon-Brezhnev talks. They hope that the Soviet-American communiqué will make a reference to the 'national rights' of the Palestinian people. Last year's communiqué spoke of the 'interests' of the Palestinians, a much weaker term.

The Arabs also hope that Mr. Brezhnev will impress on Mr. Nixon the urgent need for a Palestinian delegation to be invited to the Geneva peace talks, a step that is being fought by Israel.

Mr. Sadat's discussions in Bucharest and Sofia—coinciding with Mr. Nixon's talks in Moscow—are seen by officials here as a way to keep up the pressure.

If It Gets Arab Planes, SAMs

Gur Says Lebanon Runs Risk Of Becoming a 'Battlefield'

TEL AVIV, June 27 (AP).—Lebanon could become a "battlefield" if the Egyptians were to bring planes and anti-aircraft missiles into the country, the Israeli chief of staff, Lt. Gen. Mordechai Gur, warned today.

Egyptian President Anwar Sadat was quoted in a Lebanese magazine yesterday as saying that Egypt was prepared to send its air force to defend Lebanon against Israeli air raids.

In answer to a question about this at a news conference, Gen. Gur replied: "Lebanon is not a battlefield, but if they bring airplanes into Lebanon, if they bring anti-aircraft missiles into Lebanon, it might change Lebanon into a battlefield."

He said, "I am quite sure Lebanon has to think quite hard before bringing a foreign force into the country."

Planes No Problem

Gen. Gur said he did not think a squadron of planes would cause Israel much trouble, because "we could squash" it easily. However, if Lebanon brought in SAM-2 and SAM-3 missiles, it would need "a sizable foreign force" to operate the weapons.

He said Israeli air strikes against Lebanon had been successful, but it was difficult to stop Arab guerrilla infiltration completely.

Gen. Gur said the Arab guerrillas have never "been so free in choosing" their targets and their recent strikes against Israeli civilian targets have forced Israel to try to seal the northern border with Lebanon.

Israel is building a fence along the frontier, among other precautions.

Gen. Gur said Israeli military action had pushed the Palestinian guerrillas back into the big cities and camps in Lebanon. He estimated there were now less than 5,000 guerrillas in units operating outside the refugee camps.

He warned that Israel was prepared to use other means besides air strikes to stop the guerrillas. Asked if Israel would take U.S. reaction into account before making any major move against the Arabs, the chief of staff said American opinion "was a very important element" but that Israel was not "dependent" on Washington's attitude in planning any military action.

Israel Shells Near Villages

BEIRUT, June 27 (UPI).—Israeli artillery shelled the outskirts of several villages in south-east Lebanon intermittently today, witnesses reported.

The shelling erupted briefly at 8:15 a.m. and then resumed at 1 p.m. for 65 minutes, witnesses in the region said. There were no reports of casualties.

The area hit was rugged farmland in the Mount Hermon foothills where the Israelis say Fatah guerrilla units are located. The region has been a frequent Israeli target in recent weeks.

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Bolama, Portuguese Guinea. Almost Deserted

Ex-Capital of Colony Is Study in Incongruity

By Henry Kamm

BOLAMA, Portuguese Guinea (NTT)—A statue of President Ulysses S. Grant looks over the large, tree-studded central square of Bolama and over the goat and the smiling boy who are the only living creatures in sight.

The inscription thanks "Ulysses Grant, President of the United States of North America," for having defended the just cause of Bolama. In 1870, Grant, called on to arbitrate between Portugal and Britain, awarded Bolama to Portugal, which made this island settlement the capital of Portuguese Guinea.

On the waterfront in front of what used to be the governor's palace, a huge Fascist abstrac-

tion in stone on the theme of the symbol of Mussolini's Italy and a broken airplane wing commemorates an Italian plane that crashed here in 1932. "From Mussolini to the Fallen of Bolama," it says in large letters, and the date is given as "Year IX of the Fascist era."

The statues are no more incongruous than the rest of Bolama, which ceased to be the capital in 1948. Today, when the Portuguese in Guinea have openly abandoned hope of staying on for much longer, the former capital seems to them more symbolic than it ever was as the seat of colonial government.

When the administration deserted this island, three hours' boat ride or 15 minutes' flight

across the estuary of the Geba River from the present capital, Bissau, Bolama lost its reason for being. The broad main avenue from the Grant statue to the Mussolini monument is as empty of people as it is unpaved.

A few hundred persons live in town, mainly because an army training camp for black recruits provides some employment. What do they do, the young Portuguese priest was asked.

"They do nothing," he replied unhelpfully, indicating that in the seven years since the Franciscan order sent him here he had not found much to do himself. Rubbing injuries he received when he fell off his motorcycle, he said that he would leave with the Portuguese to study sociology in Belgium. His church, painted bright blue, was deserted. There was a shiny set of jazz drums next to the altar.

"Guinea is surrealistic and answers to its own laws that do not apply elsewhere," a Portuguese lieutenant remarked.

Out of Phase

Just about everything in Bolama seems out of phase and paradoxical. Why does a land that grew enough rice to export have to buy it from abroad now? Why do sacks of rice lie in tall stacks unattended on the dock, and how did the rice from Pyongyang, North Korea, get here in the first place, despite that Communist country's professed hatred of colonialism and the former Portuguese government's equally strong fear of Communist contamination?

Above all, Bolama induces torpor and sleep. The people to be seen about, Africans and Portuguese soldiers, lie, lean or sit, waiting for time to pass. Yawning appears the most strenuous gesture, affecting the men, women, children, dogs and goats. Only pigs, flies and mosquitoes seem unbothered by the oppressive heat.

A major with a riding crop and many bandages from a motorcycle accident said that there had not been much to do since the last group of black recruits finished training a few weeks ago. He does not think there will be other recruits for Portugal to train here. He said it without regret, noting that this was his fourth year in Guinea. Enthusiasm for the assignment does not run high among Portuguese soldiers.

Railroad Bombed

BEIRA, Mozambique, June 27 (UPI)—Guerrillas blew up the railroad linking this port with the uncompleted Cahora Bassa dam project, halting all supplies to the interior, the army command said yesterday.

Primeiro Mozambique Liberation Front guerrillas struck at 28 different points on the Tete-Beira rail link, their heaviest offensive yet on the railroad, the command said.

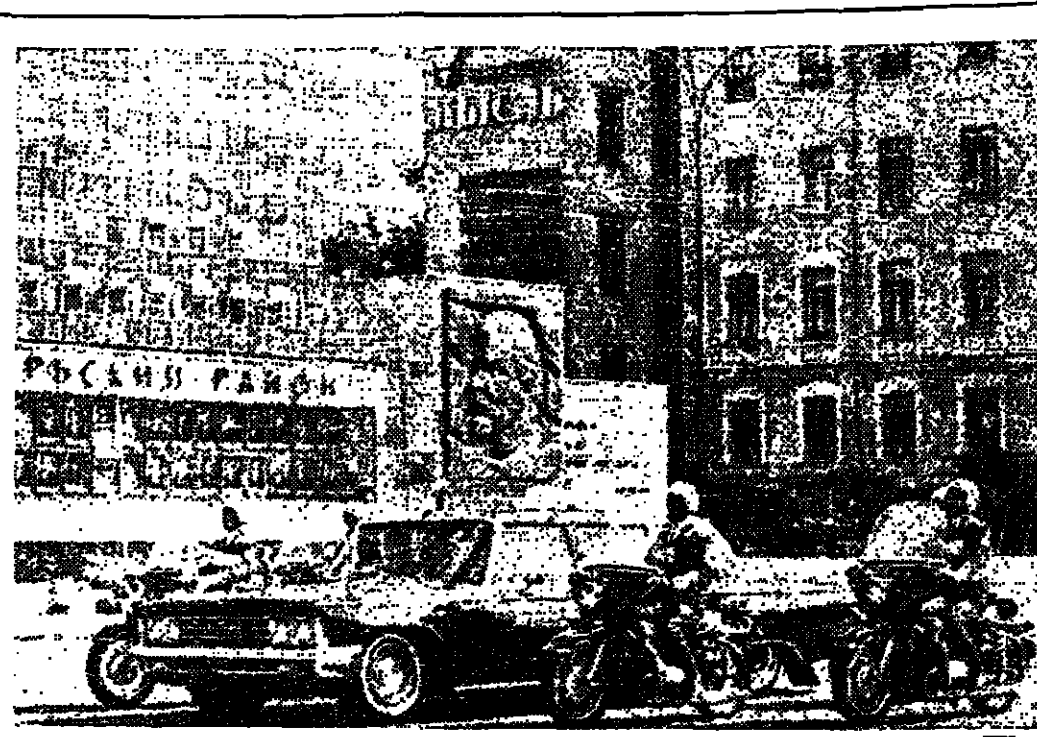
The attack coincided with the announcement that President Antonio de Spínola will visit Portugal's African territories next week.

Primeiro leaders are due to resume cease-fire negotiations with Portuguese Foreign Minister Mario Soares in Lusaka, Zambia, on July 15.

General Motors Held At Fault in Accident

AUSTIN, Texas, June 27 (AP)—A woman who lost the use of her arms and legs in a 1968 automobile accident won a \$1-million lawsuit against General Motors Corp. when the State Supreme Court yesterday upheld previous rulings in the suit.

Elmira Spriggs Williams, of Houston, claimed that the steering coupling on her 1963 Chevrolet was not designed properly, resulting in her losing control of her car and crashing into a guard rail.



The Zil limousine carrying President Nixon and his host Leonid Brezhnev, moving along a practically deserted Lenin Prospect near the Kremlin yesterday. Observers noted few spectators along the motorcade route, in contrast to the throngs that greeted the President recently in Cairo.



At right, President Nixon introducing Leonid Brezhnev to members of the President's entourage at a Kremlin reception yesterday.

Nixon, Brezhnev Begin Talks, Panel Hears Vow to Seek Pact on A-Arms

(Continued from Page 1)

When they reached Mr. Kissinger, Mr. Nixon remarked that his secretary of state was "much more flexible than Gorchikov," referring to the Soviet Defense Minister Andrei Gorchikov.

Mr. Brezhnev, picking up the mood, said, "Let's wait and see. Results will show."

Mr. Nixon then changed his approach, saying of Mr. Kissinger, "He's very tough."

Mr. Brezhnev then stepped a few paces to the side, gave Mr. Kissinger a studied, theatrical glance and said slowly, "Yes, yes."

In the exchange of remarks following the dinner, both leaders stressed that much progress had been made toward détente since the first agreements were signed two years ago—in arms control, trade, agriculture, science and cultural exchanges.

Both agreed, however, that unless new, significant steps are made to slow the arms race, progress in other areas will not amount to much.

"If we fail to solve this task, however, all other achievements in the development of mutual relations may lose their significance," Mr. Brezhnev said.

For his part, Mr. Nixon, speaking of the need to reduce the danger of war, said, "It is in this way that two peoples with different systems of government can establish relationships that will not be broken in the future."

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2 Early Watergate Probers Admit to Making Mistakes

By Stephen Green

WASHINGTON, June 27 (WP)—Two members of the original Watergate prosecution team conceded yesterday before the Senate Judiciary Committee that they made at least two mistakes in the handling of the investigation.

Assistant Attorney General Henry Petersen at first denied—but then agreed—that he should have pursued the meaning of photographs supplied by the CIA that later turned out to connect the original Watergate defendants with the September 1971 burglary of the office of Daniel Ellsberg's psychiatrist, Dr. Lewis Fielding.

And in a second concession, Harold Titus, former U.S. attorney for the District of Columbia, initially told the committee that he made no decisions in the Watergate investigations. He then changed his testimony and stated that he wrongly permitted lawyers for President Nixon's re-election campaign committee to be present when FBI agents interviewed committee employees.

Appointment of Silbert
The Judiciary Committee is considering whether to confirm Mr. Nixon's appointment of Earl Silbert as U.S. attorney to succeed Mr. Titus. Mr. Silbert, now acting U.S. attorney, was Mr. Titus's top assistant and worked under Mr. Petersen and Mr. Titus in the Watergate investigation.

Mr. Petersen said that in December, 1972, or early January, 1973, he had obtained from the CIA a series of photographs that they had developed at the request of Gordon Liddy, then a Watergate defendant and now a convicted Watergate conspirator.

One of the photos shows a parking space reserved for Dr. Fielding and another shows Liddy standing near Dr. Fielding's office building. Another photo from the same roll of film shows the phony identification cards used by the Watergate burglars.

Under questioning Monday by Sen. Ervin, D-Mc., Mr. Petersen repeatedly testified that there was no reason for prosecutors to pursue the meaning of the photographs.

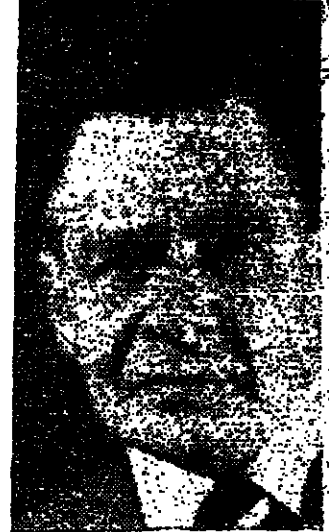
"It Was a FAUX PAS"
Yesterday, under persistent questioning by Sen. John Tunney, D-Calif., Mr. Petersen said, "It was a faux pas. I should have done it, even though it might have turned out negative."

It wasn't until April, 1973, that former presidential counsel John Dean told the prosecutors of White House involvement in the Fielding burglary. On April 27, Federal Judge Matt Byrne, presiding at the Ellsberg trial in Los Angeles, asked a memo to be sent from Mr. Silbert disclosing details of the burglary.

Mr. Petersen told the committee that he gave the CIA documents to Mr. Silbert, who was in charge of the day-to-day details of the Watergate investigation.

He said that Mr. Silbert did not pursue the photos either but, he added, "I'm not prepared to criticize Mr. Silbert for what I didn't have enough sense to tell him to do."

Mr. Titus appeared before the committee after Mr. Petersen completed his fourth day of tes-



Henry Petersen

timony. Mr. Titus began testimony by telling Sen. Ervin that he assigned Mr. Silbert the Watergate case because [Mr. Titus] couldn't take it away from his other duties handle it. He said the decision was made by Mr. Silbert.

Then Sen. Tunney asked lawyers from the re-election committee were permitted to attend the interrogation of campaign committee employees by FBI agents.

"It was a judgment call," a Mr. Titus who added that "wanted" to protect the rights of employees who were questioned. "My recollection was that I did not approve of it, made the decision to have done. In retrospect I would do it again. It was not a good decision. I'm not proud of it," Mr. Titus said.

Mitchell Ruling On Hotel Linked To Hughes Gift

WASHINGTON, June 27 (AP)—The U.S. attorney general's approval in 1970 of an extension of "billionaire" Howard Hughes' gambling empire was linked closely to a \$100,000 payment by Mr. Hughes to President Nixon's closest friend, the state of the Senate Watergate committee reports.

The report to senators said the apparent decision by then Attorney General John Mitchell to approve Mr. Hughes' purchase of the Dunes Hotel in Las Vegas violated the department's own anti-trust regulations and "clothed with the appearance of impropriety."

The staff report, not yet approved by the full committee, was prepared after nearly a year of investigation into the payment made in 1970 to Charles (Bebe) Rebozo, a Florida banker and long-time friend of President Nixon.

Mr. Rebozo has said the \$100,000 was intended as a campaign contribution but was returned after three years.

The committee was told the "donation" resulted from a decision by J. Edgar Hoover, director of the FBI, to withhold anti-trust lawyers were excluded to approve the Dunes purchase.

Jurors Are Selected in Trial Of Ehrlichman, Three Others

WASHINGTON, June 27 (AP)—A jury of six men and six women was selected today in federal court for a trial of former White House domestic affairs chief John Ehrlichman and three other men.

The selection process from among 150 potential jurors took two days. The selection of six alternate jurors in the courtroom of U.S. District Judge Gerhard Gesell continued.

Among the likely witnesses during the trial are a former president of the United States, a former secretary and two policemen from California.

Mail Is Found At Paper Mill In North Italy

BERGAMO, Italy, June 27 (Reuters)—Italian magistrates ordered an inquiry today into how some public mails became paper pulp.

Police have sifted through one ton of recycled paper at a Bergamasco paper mill to discover the remains of registered letters, pension books and valuables entrusted to the Italian Post Office.

Police sources said it was almost certain that whole sacks of correspondence in transit through Milan railroad station ended up as waste paper.

There has been chaos in the Italian postal system for more than a year as an underground staff struggles to clear a vast backlog. Letters have taken up to two months to be delivered and some never make their destination.

They are Carlos Prio Socarr Cuban president from 1948 to 1959, Secretary of State Gen. Shultz, and policemen Edmond Halgwood and Clinton Bricker.

Others expected to testify the trial are former and press CIA officials, Secretary of State Henry Kissinger and Rep. C. Vander Jagt, R-Mich.

Character Witnesses
Some of those on the witness list released yesterday may call to testify about the character of one of the defendants. For example, Rep. Vander Jagt lived two doors from Mr. Ehrlichman before Mr. Ehrlichman signed for his White House job more than a year ago.

Mr. Ehrlichman, Gordon Liddy, Bernard Barker and Eugene Martinez are accused of violating the rights of Daniel Ellsberg, former psychiatrist. Mr. Ellsberg is a former Pentagon analyst, leaked the Pentagon papers the press.

Dr. Lewis Fielding's Berkeley, Calif., office was burglarized on Sept. 2, 1971, in a fruit search for Mr. Ellsberg's papers. Dr. Fielding's name also appears in the prospective witness list.

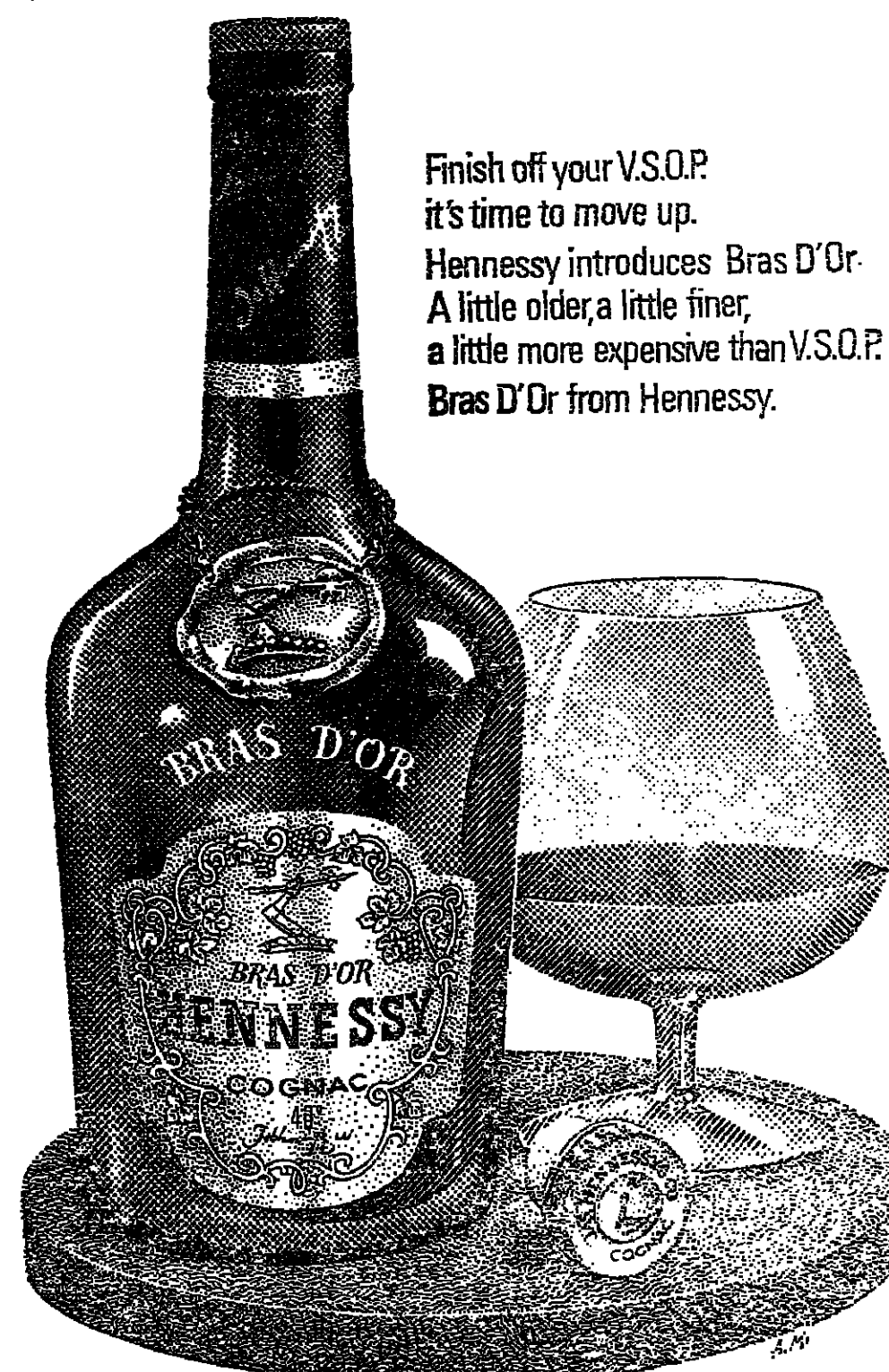
As late as Tuesday, the psychiatrist declined to comment on case, as he has since the break.

Nearly all the prospective jurors questioned yesterday Judge Gesell said that they were familiar with the case.

Daniel Schutt, attorney Martinez and Barker, disclosed after yesterday's session that clients will be seeking work in Washington for the trial, said that their families in Miami supported by their wives he indicated funds for legal were low.

Liddy reported in a court that his wife is supporting five children. The Watergate prosecution said his personal assets were in a checking account.

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Tito, Schmidt Vow to Work For Security Parley Accord

BONN, June 27 (UPI)—President Tito of Yugoslavia today ended his first official trip to West Germany. During his four-day stay, the government had instituted the tightest security measures ever mounted for a foreign leader's state visit.

Hundreds of policemen, stationed almost shoulder-to-shoulder, lined the route as Chancellor Helmut Schmidt accompanied the 82-year-old Communist leader to Hamburg airport. From there, Mr. Tito flew home.

Before leaving, the former anti-Nazi guerrilla leader said that he was satisfied with the results of his talks with Mr. Schmidt and other West German leaders.

"I return to Yugoslavia satisfied with everything except the soccer results," President Tito, smiling, told newsmen. The Yugoslav national team lost by a 2-0 score to West Germany yesterday in the second round of World Cup play.

In a joint communiqué, issued simultaneously in Bonn and Belgrade after the marshal's departure, the two leaders agreed that they would cooperate constructively and actively in the work of the European security conference, now taking place in Geneva.

The communiqué said both countries hoped that the conference would produce agreement as soon as possible on the basic questions on the agenda, without limiting the field of questions discussed.

Diplomatic observers here saw this as an expression of support by President Tito for the demands of West Germany and other Western countries that the conference agree on the need to reduce restrictions on the exchange of people and ideas, as well as on the need for advance notification of troop movements by both Communist and Western countries.

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Budget Chief Opposes Cuts in Nixon Staff

House Bill Criticized as 'Far Too Rigid'

WASHINGTON, June 27 (AP).—The White House to cut its top-level staff would pose a dilemma for President Nixon and his successors, the director of the Office of Management and Budget said yesterday.

The director, Roy Ash, told a Senate committee that such cuts as those voted by the House on Tuesday would make it almost impossible for a President to compete with private industry for a competent staff.

The House voted to reduce from 5 the number of White House aides, who could be paid \$500 a year.

Such a cutback imposes "a far too rigid a structure" on a President, Mr. Ash told the Senate subcommittee. "The White House must have the flexibility to change its size and ways of dealing with change constantly."

Another Bill Studied

The Senate panel is considering all, sponsored by Sen. Hiram Fong, R-Hawaii, that would raise the number of highest-level White House aides to 15, and the number of persons at \$40,000 from 25.

The bill also would allow a President to hire an unlimited number of aides for up to \$36,000 a year.

Testifying before the committee, Sen. Walter Mondale, D-Minn., said giving a President an open-ended authority would represent a major abdication of congressional responsibility.

Sen. Mondale said he fears a move because of the trend for President Nixon of delegating authority to White House aides who are not subject to congressional oversight.

All too often, Sen. Mondale said, Congressmen reach agreements with cabinet members to be told at the last minute "that the cabinet officer whom we were dealing with is only a front man, a public relations official sent out by White House to fend off inquisitive congressmen."

Unless Congress cuts back on House power, "we may not reclaim a government which respects a balance of power about which our democracy cannot survive and prosper," Sen. Mondale said.

U.S. Survey Finds Disaffection With America at Peak

NEW YORK, June 27 (UPI).—More Americans are disenchanted with their country now than at any time since the Harris survey first asked people about their feelings in 1968, the Harris organization reported today.

Fifty-nine percent of the people surveyed were disaffected, up from 55 percent in 1973 and more than double the 29 percent who felt at way in 1968 when the organization first conducted such survey.

Mr. Harris said that in its poll 1,413 households across the nation, conducted in early June, majority of every segment of population is disillusioned by the economic system and the role of the individual in society.

The biggest increases the survey found in negative outlook were among suburban residents, where disaffection was felt by 60 percent as against 33 percent in 1968 and among those under 30, where it was up to 62 percent from 24 percent.

S. Drops Case Against Bremer

ALTIMORE, June 27 (AP).—Federal charges against Arthur Bremer, convicted in the attempted assassination of Alabama Gov. George Wallace, have been dropped. Bremer is serving a 99-year sentence in the federal penitentiary at Leavenworth, Kan. U.S. District Judge Northrop dismissed the charges against Bremer today at the Justice Department's request. U.S. Attorney George Beall said the move followed a standing policy not to prosecute a person at the federal level when he has already been prosecuted at the state level substantially the same crime.

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ALERT CONTINUES AT HEATHROW—Armed troops patrolling yesterday at London airport on the second day of an anti-terrorist alert-exercise to boost security for the weekend when notables will be arriving for Socialist International meeting.

As Senate Votes to Raise Debt Ceiling Kennedy-Humphrey Tax Reforms Rejected

By Spencer Rich

WASHINGTON, June 27 (UPI).—In a victory for President Nixon, the Senate yesterday brushed aside the tax-reform proposals of Sen. Edward Kennedy, D-Mass., and passed a \$485-billion debt-ceiling bill without amendments or riders.

The final vote of 58 to 37 cleared the measure for the President's signature and paved the way for a 10-day recess starting tomorrow. Without passage of the bill, the present \$475.1-billion debt ceiling would have expired on June 30, leaving the government above the legal limit and barring it from meeting payrolls or borrowing any new money. The new \$485-billion ceiling will be in effect until March 31.

Visitors in the Senate galleries laughed and applauded as Kennedy ally Hubert Humphrey, D-Minn., blasted the oil companies as profiteers and pleaded with the Senate to allow a vote on a Kennedy-Humphrey plan killing the 22 percent oil depletion allowance and slashing personal income taxes.

But Sen. James Allen, D-Ala., and the White House had the edge in the voting. The Senate refused, 50 to 44, to cut off a filibuster against the Humphrey-Kennedy plan. A two-thirds majority is required for cloture.

Will Try Again

"We've run out of string, the voters are not there," Sen. Humphrey said, then he, Sen. Kennedy, Sen. Walter Mondale, D-Minn., and other tax-amendment sponsors conferred briefly and agreed to abandon their 10-day fight to add a tax-cut and tax-reform rider to the debt-ceiling measure. But they said they will try again later this year.

Congress Papers Over Paper Crisis

WASHINGTON, June 27 (UPI).—It had to happen sometime in the paper jungle in which Congress operates. Someone in the Senate lost the papers needed to pass a bill, and in true bureaucratic fashion a separate bill was passed authorizing new papers.

"Did this have anything to do with Watergate?" asked Rep. H.R. Gross, R-Iowa, when the incident was revealed on the House floor yesterday.

Rep. Harley Staggers, D-W.Va., chairman of the House Commerce Committee, asked and won passage of a resolution authorizing the chief clerk of his committee and the staff director of the Senate Labor and Public Welfare Committee to draw up new official papers.

The stack of blue papers was to accompany a conference report authorizing bio-medical research programs, which the Senate had expected to act on this week.

U.K. Protests Soviet Spying On Oil Rigs in the North Sea

LONDON, June 27 (AP).—Britain called on the Soviet Union today to stop sending ships to spy on North Sea oil rigs. They imperil drilling operations, it complained.

The complaint was the second lodged over the shadowy activities of Soviet intelligence vessels in and around British waters in the last two weeks.

In the latest incident, a Soviet trawler equipped with highly sophisticated electronic and photographic equipment sailed within yards of several rigs in the North Sea. The crew was seen taking photographs and measurements of the rigs.

A Royal Naval missile destroyer was sent to trail the Soviet vessel, but it had vanished by the time the warship arrived.

Two weeks ago, another Soviet intelligence ship, named Iceberg, was spotted near the U.S. Polaris submarine base at Holy Loch, in Scotland.

The Soviet vessel then radioed for permission to call at Glasgow. The skipper was advised it would be "administratively inconvenient," but the Iceberg went in anyway.

Foreign Secretary James Callaghan authorized his officials on each occasion to express Britain's concern to the Soviet authorities. At the same time, a Foreign Office spokesman said, the British called for Soviet assurances that the incidents would stop forthwith.

The British complaints were deliberately pitched in low key.

There is no wish on the part of the Labor government to be involved in a dispute with the Russians, especially as Prime Minister Harold Wilson is planning a visit to Moscow during the summer.

Companies operating the oil rigs and naval authorities nonetheless have been disturbed by the Russians' activities and by their tendency to imperil the safety of the men who work the rigs. They have been urging the government to take a strong diplomatic line with the Soviet Union.

Ethiopian Rebels Free Canadian

ADDIS ABABA, June 27 (AP).—Anti-government guerrillas today released Canadian helicopter pilot Don Wederfort, one of five North American hostages held for three months in Ethiopia's rugged northern mountains, official sources reported.

The sources said Mr. Wederfort, 37, of Calgary, Alberta, was in good health. There was no immediate word about the remaining four men, who have been reported to be in good condition.

Sources said Mr. Wederfort was freed in Kassaia, a Sudanese town across the border from Ethiopia. Kassaia is about 300 miles west of Massawa, the Ethiopian Red Sea port near which the hostages were captured March 26 while exploring for oil.

In Appeal for Funds to Rescue Cities U.S. Mayors Urge Cut in Defense Spending

SAN DIEGO, June 27 (AP).—The nation's mayors yesterday asked the Nixon administration and Congress to reduce defense spending and give more money to the cities.

The Conference of Mayors concluded its 42d annual meeting with virtually unanimous adoption of a resolution calling for a realignment of government spending priorities.

The new president of the conference, San Francisco Mayor Joseph Alioto, appealed to the President to forge "a domestic détente with urban America."

"The essence of détente is the willingness of the most intractable party to yield a point and then make certain concessions," Mr. Alioto, a Democrat, said in his acceptance speech.

"We ask the administration to yield on the point that our cities are the vital heartbeat of American life and worth saving," he said.

Democrats Dominate

The conference, dominated by Democrats, avoided any direct challenge to the President on the Watergate and impeachment issues during its formal sessions. But the 550 delegate mayors called for vigorous enforcement of the Budget Reform Act awaiting Mr. Nixon's signature. The measure would restrict the President's authority to freeze congressionally approved appropriations.

The head of the mayor's Democratic caucus, Henry Maier of Milwaukee, has accused Mr. Nixon of undermining the concept of the "new federalism" (increased sharing of federal powers and dollars) by impounding about \$2 billion in funds.

Mr. Alioto said, "Our cities still beg in our state houses and the nation's Capitol for help, while one Arab nation is promised \$100 million in economic aid, and Israel and Egypt are offered untold millions in nuclear capability."

"The national administration persists in its apparent ignorance of the debt, the continuing debt, owed to the cities of this nation," he said.

Mr. Alioto said Watergate and inflation have diverted public attention and concern from the problems of the cities.

"It has given our cities an unreal air of calm. But beneath

Portugal-Bulgaria Ties

PARIS, June 27 (UPI).—Portugal and Bulgaria yesterday agreed to establish diplomatic relations at the ambassadorial level, the Portuguese Embassy here said.


that surface of superficial calm, the waters of discontent are still rising," he said.

From the opening of the conference Saturday, the mayors expressed unanimous support for continued general revenue sharing, the cornerstone of the new federalism, designed to return more responsibility and unrestricted funds to state and local government.


Their resolution yesterday declared that "the transition from the old to the new federalism still falls to relieve the bite of inflation and falls

to fill the budgetary gaps created by the elimination or curtailment of categorical programs."

In another action, Mayor Kenneth Gibson of Newark, N.J., was elected chairman of the advisory board of the conference. From that post, he is to become the first black president of the organization. Mayor Moon Landrieu of New Orleans was elected vice-president. Mr. Landrieu was formerly the chairman of the advisory board and is scheduled to become president next year—with Mr. Gibson following him in 1976.



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Wallace's National Campaign Suffers Setbacks on 2 Fronts

By Robert Shogan

WASHINGTON, June 27.—George Wallace's thrust for renewed national political power has suffered setbacks on two fronts.

Efforts of Gov. Wallace's supporters to elect delegates to the December midterm Democratic convention so far have flopped, even in the Deep South.

And in his own Alabama, an attempt by Gov. Wallace to wrest control of the state Democratic party from a longtime rival failed, despite Gov. Wallace's personal lobbying for votes.

It may turn out that the

damage has been more to Gov. Wallace's pride than anything else. As public opinion polls demonstrate, Gov. Wallace's personal appeal remains a potent force in the Democratic party.

Organizational Skill

But Gov. Wallace's foes among Democrats cite his recent reverses as evidence that the governor's supporters have yet to develop the organizational skills needed to convert his popularity into hard political currency.

Their reaction in turn has embittered the Wallace camp and further strained the already uneasy relations between the Alabama governor and other major factions in the Democratic party.

"If this kind of thing keeps up, the only thing I would suggest to the governor is what the hell sense is there in trying to help the Democratic party," said Michael Griffin, Gov. Wallace's liaison man with the Democratic National Committee and one of his top political lieutenants.

The Wallace drive for convention delegates got under way last winter in Houston with a strategy meeting of about 200 organizers from around the country.

Mr. Griffin pointed out that no similar efforts were made on behalf of any other prominent Democrats and asserted it was therefore unfair to single out Gov. Wallace as a loser.

Kennedy Inactivity

"How many delegates did Ted Kennedy get in Alabama?" he asked.

In Alabama, Gov. Wallace was embarrassed last week when the candidate he supported for chairman of the state Democratic party was defeated by Robert Vance, who has headed the party since 1966 and has frequently been at odds with Gov. Wallace.

Supporters of the governor had campaigned hard to elect Wallace backers to the party's state executive committee, which elects the chairman. Later Gov. Wallace himself sought to sway votes on the committee for his candidate.

A victory over Mr. Vance would have bolstered Gov. Wallace's prestige in national party councils, where Mr. Vance is an influential figure.

Moreover, Vance aides say, it would have made it possible for Gov. Wallace to use the state party as a base of operations if he chose to run for president in 1976 on a third-party ticket.

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Athens Sentences Ex-Regime Aides

ATHENS, June 27 (AP).—A Greek military court today sentenced a former minister and ministry director general of the ousted George Papadopoulos regime to four and 10 years in prison respectively on charges of involvement in a meat corruption scandal.

Michael Balopoulos, a former army colonel and under secretary of trade, was found guilty of dereliction of duties but declared not guilty of the charge of receiving bribes.

Zaphirios Papamichalopoulos, director general of the Trade Ministry under Mr. Papadopoulos, was found guilty of receiving bribes and authorizing the granting of illegal meat-import licenses from Rhodesia and other countries. Balopoulos was a member of the original junta of colonels which seized power in April, 1977.



REUNITED—Former Soviet Maj. Gen. Pyotr Grigorenko with his wife Ziniada in their Moscow apartment after he was released from Soviet mental institution.

Grigorenko May Settle in Norway

OSLO, June 27 (UPI).—Former Soviet Army Maj. Gen. Pyotr Grigorenko may settle in Norway, his wife told the conservative newspaper Morgenbladet here in a telephone interview from Moscow today.

Mr. Grigorenko, 57, was freed yesterday after spending more than five years in detention in mental hospitals for his dissident activities.

"Grigorenko is very tired. He is in bad health, has a weak heart and has lost his sight in one eye," Mrs. Grigorenko said. She said she and her husband first would try to get an old-

age pension, then apply for passports and visas to go abroad.

"But first we must rest. Then we will ponder the question of traveling abroad, and it's possible that we will try to come to Norway," she said.

Labor Leftists Continue Attack On U.K. A-Test

LONDON, June 27 (Reuters).—Left-wing Labor members of Parliament today continued their attack on the government for authorizing Britain's latest underground nuclear test in the United States several weeks ago.

About 100 Labor MPs have signed a House of Commons motion—which is unlikely to be debated—criticizing the decision in view of the party's election pledge not to develop new strategic nuclear weapons.

The furor within the ruling party follows bitter exchanges yesterday in Parliament and at a private meeting of Labor's top policy-making body, the National Executive Committee.

Meanwhile, the French prime minister, Jacques Chirac, expressed astonishment and shock about British protests over France's resumption of nuclear tests in the Pacific when he saw Prime Minister Harold Wilson in Brussels yesterday, according to informed British sources.

U.S. Girls Match Boys in Smoking

KANSAS CITY, Mo., June 27 (AP).—Cigarette smoking among girls between the ages of 12 and 17 has been increasing while the rest of the population has cut back, Dr. Luther Terry said.

Dr. Terry is the former U.S. surgeon general who issued the historic health warning report on smoking and health 10 years ago. Dr. Terry said yesterday that 15 years ago the incidence of smoking among girls was one-tenth as frequent as among boys the same age. "For some reason we can't understand, the girls in the last two or three years have caught up with the boys in the intensity of their smoking," Dr. Terry, now a consultant to the American Cancer Society, told newsmen.

Since his report linking smoking and lung cancer there has been a decline of about 5 percent in the number of adult men and women using cigarettes and a slight decrease in the incidence of smoking among boys 12 to 17.

Mexican Guerrillas Demand \$4 Million

MEXICO CITY, June 27 (AP).—Guerrillas demanded \$4 million, a supply of arms and freedom for all the prisoners held in Guerrero state in return for the release of a kidnapped senator, the newspaper Excelsior said.

There was no immediate response from the government. Excelsior said it received a communiqué from guerrilla leader Lucio Cabanas after getting a tip to look in a trash barrel on a street corner. He is believed to have kidnapped the senator, Ruben Figueroa, 70 on May 30.

Chirac to Visit Denmark

BRUSSELS, June 27 (Reuters).—French Prime Minister Jacques Chirac will pay an official visit to Copenhagen July 31-Aug. 1, French officials said here.

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Rural Africans Flock to Successors of Witch Doctors

By Dial Iorgerson

KIKOKO, Kenya, June 27.—Mwinyi Usia is a specialist. He cures illnesses caused by evil spirits. At least wife No. 1 is his nurse. Wife No. 2, a younger and less experienced, is something of a medical secretary. She retires, chairs for the young room.

Usia and Mwinyi, successors to yesterday's witch doctors, are called practitioners of traditional medicine. There are uncounted tens of thousands like them in rural Africa.

The two men practice a few hundred yards apart in the green, terraced slopes of the Kilungu hills, only 60 miles southeast of Kenya's modern capital of Nairobi. An orthodox doctor is available in a nearby village, but many of the people of Kikoko still go to the medicine men. It is quicker to see Mwinyi about a simple ailment than to wait to see the district doctor and, to alleviate a cure who is there to see but Usia.

Eighteen-year-old Inda, taken by her father and mother to see the modern doctor about pains in her stomach. When the medicine didn't help, her parents certain it was a curse took her to Usia for the 36 exorcism.

Mouse-Sized Beetle

"She has one of these in her stomach," explained Inda's friend, Venus, who learned English in school. She pointed to a shiny beetle, the size of a mouse, with a horn like a tiny rhinoceros. "Some mad person had a magic word and put it there."

Curse specialists, Usia, who is about 50, toiled sweating up the hill—returning from a house call—and found his waiting room crowded with patients. Inda among them.

25,000 Draftees Left in U.S. Army

WASHINGTON, June 27 (AP).—The Army is down to its last 25,000 draftees, only about 3 percent of the army's strength.

Draftees will be completing their two-year service and leaving at the rate of about 5,000 a month during the summer and fall. Only a few will be left in uniform after that, but the last 85 draftees will not be discharged until next June.

The authority to induct men into the armed services was ended almost a year ago, on July 1, but the Pentagon had stopped issuing big draft calls six months earlier. In the last half year before the induction authority expired, virtually the only men drafted were reservists who had failed to meet their obligations.

Seek Traditional 'Medicine'

His office is in his padded room, black lounge. Like many modern men, Mwinyi doctor, his wife is his nurse. At least wife No. 1 is his nurse. Wife No. 2, a younger and less experienced, is something of a medical secretary. She retires, chairs for the young room.

Usia sat out his instructions: guards, rattles, sprinkles, a pot of 1700 a white-painted pot. He spilled thick homemade beer over Mwinyi's head and inquired laborately into her symptoms.

Room Is Crowded

The waiting room is also the sleeping room. The seven people crowded into the small

cement-floored room were allowed to watch and even give suggestions.

Inda was placed on an up-turned pot that looked like a stone-made stool. Her feet were put on a smaller one. Usia, barefoot, in shorts and an old safari shirt, turned his favorite stool upside down and crouched before her.

He had Inda pull up her white blouse to expose her stomach. She watched calmly as he snatched a fold of flesh. A man patient reached over and held it for Usia, who made a tiny cut.

Then he made a similar cut on his own right thigh, mixed the blood together, spat on the wounds, rubbed ashes on her

stomach, waved a horn around her head and legs, lay on the floor and had her walk over him twice, once with his face up, once face down.

A hen walked in the open door, eyed the ceremony speculatively, decided not to get involved, and walked out again. Sometimes the crowd murmured, or giggled, during the exorcism. Inda's face remained without expression. The doctor looked serious.

He slapped his hands together with cheerful finality. It was over. He stepped outside. "In two or three days she will be completely well," he said. What- ever was in her, he said, would slip out as she slept.

© Los Angeles Times



Gov. George Wallace

Bombs Blust Belfast Docks, Central Area

BELFAST, June 27 (UPI).—Bombs exploded on a busy shopping street and in the docks area of Belfast today.

Police said there were no casualties in the two "proxy car bomb" explosions, the first since two Provisional Irish Republican Army men died in a premature explosion in Londonderry Monday.

Gunmen stopped a mail truck in a Protestant quarter on Belfast's North Side, packed in two mail bags containing about 100 pounds of explosives and ordered the driver to take it to the central Belfast. British Army headquarters on Royal Avenue, police said. The gunmen held the driver's assistant as hostage, they said.

Truck Abandoned

Police said the driver panicked in heavy traffic and abandoned the truck about 200 yards short of the target. He gave a warning and police had 30 minutes to clear the area before the explosion, which wrecked a fashion store and shattered shop windows along the street.

Earlier, the driver of a light truck was forced to take another 100-pound bomb to Academy Street in the Belfast docks area in a similar operation.

He and a passing army patrol cleared people from the area and there were no casualties.

French Ships Boycotted

SUVA, Fiji, June 27 (Reuters).—All ships sailing from France will face a boycott by trade unions in Fiji to protest French nuclear tests in the Pacific, the Fiji Trades Union Congress decided at a meeting here.

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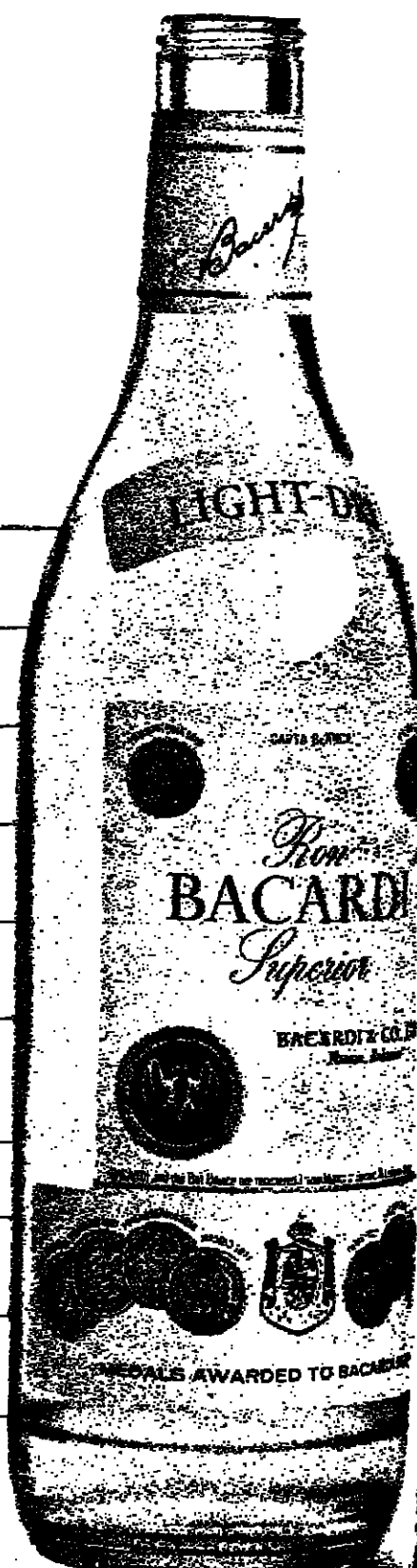
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**Fraud Is Suspected
In Collapse of Herstatt**

From Wire Dispatches
BONN, June 27.—Hundreds of worried clients today crowded outside the Cologne headquarters of anhaus Herstatt, one of West Germany's biggest private banks. Legal authorities launched a probe into the collapse.

Cologne public prosecutor Bruno Jenschamp said fraud and violation of bankruptcy and share regulations were suspected. Police moved in to control the scene, worried about the bank's accounts with the bank. It was officially ordered to close business yesterday. The bank was also forced to turn in banking license following foreign exchange deals in which it was heavily involved.

A bank statement issued today said that Herstatt had suffered considerable losses through forward exchange dealings. These losses have been camouflaged by the department responsible for such business, the statement added.

"These losses have led to debts during the banking supervision authority to withdraw our banking license and order liquidation. We have closed our bank and are forced to file liquidation proceedings," according to the present state.

**Morgan May Be
A Big Loser in
Herstatt Failure**

NEW YORK, June 27 (Reuters).—Morgan Guaranty Trust of New York stands to be one of the big losers in the collapse yesterday of Bankhaus Herstatt.

According to papers filed in federal court here today, Morgan Guaranty could lose up to \$13 million and asked the court that an order of attachment be placed against Herstatt.

According to Morgan's position, the two banks had entered into an agreement on June 24 to exchange deutsche marks for dollars yesterday. Morgan said it had paid \$133,500 DM to the Cologne bank yesterday morning out of its account in the Frankfurt branch of the Bundesbank. Herstatt, however, failed to pay Morgan the \$13 million it was supposed to hand over yesterday morning to complete the exchange, the suit said.

Morgan said it believes the maximum impact of the transaction on its earnings, even if nothing were to be realized on its claim for payment, would not exceed \$7 million after tax effect. It said it was unable to estimate how much might be realized on its claim.

**British Airline
Attacks U.S.**

By Terry Roberts

LONDON, June 27 (NYT).—Laker Airways, a small British airline, charged yesterday that the U.S. government was illegally blocking plans to provide low-cost transatlantic jet service in an effort to protect American airlines from competition. Laker has already received British government approval for its "skytrain" shuttle service between New York and London for 125 each way, compared with the new fare of \$297.50 charged by the major international carriers that belong to the International Air Transport Association.

But Laker said action on its application to the U.S. Civil Aeronautics Board (CAB) has been held up since April 1973, even though it has acquired three McDonnell Douglas DC-10s specially for the shuttle run.

In a letter to Peter Shore, the British Secretary for Trade, Laker charged that the lack of response from the CAB was "unfair, unethical and illegal," according to Laker, who signed the letter as chairman and managing director of Laker Airways.

He declined in an interview to disclose the full contents of his letter on the ground that Mr. Shore had not yet time to review it, but he declared: "I have said to the government that in my opinion they should take action against the Americans."

Asked what reprisals he had in mind, Mr. Laker replied that several U.S. carriers with plans for new or additional transatlantic routes to Britain could encounter delays in obtaining government approval.

Laker Airways, owned entirely by Mr. Laker, was established in 1966 to engage in the package charter business. It later acquired two tour operating companies and claims today to be the largest charter tour operator across the North Atlantic.

of inquiries, our debts total 400 million deutsche marks," the statement added.

Clients with deposits of up to 20,000 deutsche marks could expect their money to be paid back from a special emergency fund set up by the West German banking federation. A Herstatt spokesman said. It was hoped to repay up to 75 percent of sums in larger accounts.

The federation later confirmed that it would take steps to compensate individual depositors up to 20,000 DM.

It also said it had decided to raise the federation's emergency fund from the 30 million DM level at which it was due to stand at the end of June to an as yet unspecified amount large enough to compensate depositors.

A spokesman for the federation said it is expected that about 50 percent of all deposits of around 1.1 billion DM made by non-banking customers will be paid out shortly.

The bank's collapse apparently will not pose difficulties for the rest of the nation's banking industry, Bundesbank president Karl Klagen said today.

He said that the case of Herstatt was "very unpleasant but not typical" of German banks.

The authorities had known for some time that Herstatt was engaging in excessive currency speculation and had tried unsuccessfully to curb these dealings, Mr. Klagen said.

His remarks were made to a meeting of a "concerted action" economic committee composed of government, central banking, union and business leaders in Bonn and were relayed to reporters by an Economics Ministry spokesman.

The spokesman said the Bundesbank will assist banks that did business with Herstatt who may now come into liquidity problems through the bank's failure.

Meanwhile, other West German bankers expressed fears that the failure of Herstatt may have repercussions, supplying "certain politicians" with the ammunition they have been looking for to gain more state control over the banking community.

The bankers also expressed concern over the possibility that the Bundesbank may come up with new rules that might threaten the "elbow room" of West Germany's banks as universal banking institutions.

The bankers added that Bundesbank's previously announced move to make reporting on banks' foreign exchange positions mandatory was "a good thing."

On the Frankfurt Stock Exchange share prices fell across a wide front with losses averaging more than 2 DM on balance. Brokers raised the decline to Herstatt's failure, saying that a number of professional investors were on the seller side in anticipation of a negative public reaction to the bank's collapse.

The bank's failure also unsettled the foreign exchange market. Some dealers reported that activity was considerably reduced because the extent of Herstatt's forward foreign exchange commitments was not known, nor was it known how these commitments would be settled.

**U.S. to Seek Data
On Banks' Firms'
Currency Deals**

WASHINGTON, June 27 (NYT).—The Treasury announced today that it plans to require for the first time regular reports on "foreign currency positions" of large banks and corporations.

The proposed regulations and reporting forms were published for comment today, with the objective of starting the new reporting system before the end of this year.

Only banks or corporations with a position of at least \$1 million in any of eight important foreign currencies would be required to report. The eight are the Belgian, French and Swiss francs, Canadian dollar, guilders, deutsche mark, sterling and yen. Early estimates were that about 100 banks, including foreign banks operating in the United States, and slightly more industrial corporations, would be affected as the regulations are now written, though they are subject to change in light of the comment made in the next 30 days.

The new system was required by a little-noticed amendment to the bill enacted by Congress last September that made formal the second official devaluation of the dollar. The motive at that time was to obtain more information on "speculative" foreign exchange transactions and their effect on the exchange rate of the dollar. Subsequently, a separate issue has arisen on whether the soundness of banks can be endangered by foreign currency operations.

FINANCIAL NEWS AND NOTES**Yugoslavia Raising \$216-Million Loan**

Two Yugoslav electric utilities are raising \$216 million in the European market for construction of a nuclear power plant under contract with Westinghouse Electric Corp. The arrangements set at least two precedents in that nuclear technology will be transferred from the United States to a Communist country, and Soviet and U.S. banks are teaming up to provide large-scale financing. The loan is being managed by International Chlorine, First National Bank of Chicago, Morgan Guaranty Trust, Goldman Sachs, Guinness Mahon and the Moscow Narodny Bank. It will be arranged in two tranches: one of 130.9 million over 7 years and the other of \$85 million over 8 years. For both tranches the interest charge will be 1.25 points above London interbank offering rates for Eurodollars. The first tranche will be drawn down right away, but the second probably will not be used before 1977, a Citibank executive says. The total cost of the nuclear power plant is expected to be more than \$600 million, but the U.S. Export-Import Bank has agreed to provide the additional funds required above the \$216 million loan.

Vision Magazine Group Acquired

Rafael Garcia-Navarro, the 38-year-old Cuban-born millionaire and founder of the defunct offshore real estate fund Gramco, has acquired the Vision Group of magazines that are published in Latin America and Europe. He says he is prepared to invest "about \$3 million" for the acquisition and expansion of the editorial, circulation and advertising-sales operations of the publications. Executive headquarters will be moved from New York to London, and Mr. Navarro will be chairman of both Vision Communications and Vision Communications (U.K.) and president of Vision, Inc. Igor Gorkovitch, who was with Vision from 1950 until he resigned last year, will be publisher of the group and an executive of Vision, Inc., S.A. the publications are Vision, a bi-weekly Spanish-language

newsmagazine; Visao, a business magazine for Brazil; and Progresso, another business magazine. As a joint venture with Librairie Hachette of France, Vision publishes Vision Europe, a business magazine with English, French, German and Italian editions.

Toyo Kogyo Expects Profit Decline

Toyo Kogyo, maker of Mazda brand automobiles, expects a decline in net profit during the half year ending Oct. 31 because of higher raw material and labor costs. The Japanese firm plans to cut its auto output during the half year period by 20,000 units from the original production goal of 386,000 units due to poor auto sales in the domestic and U.S. markets. The company produced 381,334 units in the six months ended last Oct. 31. Toyo Kogyo declines to give any specific figures in its revised profit estimate for the October term. But Nihon Keizai Shimbun, an economic newspaper, has forecast Toyo Kogyo's net profit for the October term at around 2.3 billion yen (about \$8.1 million), down from 4.013 billion yen in the preceding half and down from 4.231 billion yen a year earlier.

U.S. Steel Raises Prices

U.S. Steel Corp. has boosted prices on half its shipments of steel products that tended to parallel Bethlehem Steel Corp.'s earlier increases. It was U.S. Steel's third wide-ranging price increase in the last seven weeks and reflected a desire on the part of the big mills to take advantage of boom conditions in the steel market and the end of economic controls to help boost profits. U.S. Steel says the increases cover hot and cold-rolled and galvanized sheets, structural steels, plates and rails. The nation's biggest steelmaker said that the increases average "about 5.5 percent on its total steel mill product" line. But some of the boosts clearly matched the over 15 percent increases posted on some items by Bethlehem, the No. 2 maker.

Billion-Dollar Costs, Losses Estimated**Foreigners Quit U.S. Commodity Deals**

NEW YORK, June 27 (AP-DJ).—Many foreign buyers are pulling out of their U.S. commodity commitments now that many of these commodities are becoming more plentiful and as inflation squeezes the budgets of governments and companies alike.

They are requesting exporters to defer shipments, canceling contracts outright in some cases and reselling already-bought commodities at prices often far below the purchase levels.

Cotton, wheat, soybeans, soybean meal, corn, grain sorghums, logs and copper are among the commodities that suddenly are not in great demand by such onerous purchasers as Japan, Italy, Israel, South Korea, Taiwan, Romania and Mexico.

Foreign buyers are taking "terrific beatings" on the resales and even on delivery deferrals (which involve added storage charges), an international commodities merchant says. "You haven't seen the end to such maneuvering," he says, adding that "as more of it shows up, potential buyers are fading away in hopes of getting better bargains later on."

Nobody knows how much is involved in the cancellations, deferrals, resales, but the costs, penalties and losses could run into several billion dollars, traders say. The turnabout is particularly evident in grain. Last year's scarce supplies followed by a temporary embargo on U.S. soybean exports and this year's warnings by bakers that the United States would run out of wheat prompted foreign buyers to stock up on far more U.S. grain than they really needed.

Several months ago, according to one grain-trade observer, the Japanese requested Canada to defer shipments of about 150,000 tons of wheat from May and June to July and August.

Taiwan had 100,000 tons of wheat coming in April and May but deferred shipments until September and October. South Korea had orders calling for delivery of 300,000 tons of U.S. wheat through September but now is understood to be trying to cancel or defer the shipments. Romania, which bought 118,000 tons of U.S. wheat as a cushion against a bad harvest of its own, now has a bright crop outlook and last week sold the U.S. grain.

Mexico deferred delivery of some corn that was bought three months ago while Israel has deferred shipments of about one million bushels of corn and four million bushels of grain sorghums from this spring to this autumn. Japan, the largest importer of farm products, now is selling corn to Europe; more than 200,000 tons

of U.S. corn has been sold by Japanese to Italian buyers.

Such moves certainly have added momentum to the decline in commodity prices, just as the original purchases helped the prices higher. Two weeks ago, for instance, "it seemed everybody in Europe was reselling U.S. soybean meal," a U.S. processor says. While that was happening, the price for U.S. soybean meal dropped \$15 to \$93 a ton, down from the record in June 1973 of \$430 and the first time the high-protein animal feed has sold for less than \$100 a ton since mid-1972.

Resales and cancellations also have created a problem for U.S. officials, who liked seeing commodity exports bolster the nation's trade balance. One foreign-trade economist thinks that a major reason why the government is not succumbing to cattle-men's appeals for meat-import restrictions is that such a move might inspire foreign nations to block completion of contracts for U.S. commodities.

U.S. officials are reluctant to talk about possible renegotiating of commodity contracts, but Frank McShane, executive assistant to the administrator of the Agricultural Stabilization and Conservation Service, confirms that "there could be some basis of concern about nations 'canceling' contracts."

Indeed, a U.S. trade mission is scheduled to visit South Korea and Taiwan to persuade them not to try to back out of cotton contracts.

Of all the foreign commodity buyers, Japan was perhaps the most enthusiastic last year and early this year. Now, Japan is among the most active commodity resellers in the world.

The Japanese also are losing money on copper. Japan has long-standing contracts to buy copper from several major production countries, including Canada, the Philippines, New Guinea, Australia, Chile, Peru, Indonesia and others. Japanese refiners "would like to get out of some of these contracts, but no dice," a British metals dealer says.

**Prices in France
Rise 1.2% in May,
14% in 12 Months**

PARIS, June 27 (NYT).—The retail price index in France rose 1.2 percent last month for a rise of 1.2 percent for the first five months of the year, the government reported today. For the latest 12 months, the increase is 13.5 percent.

The gain in May, which put the 1974-based index at 194.3, was slightly less than the 1.8 percent rise registered in April. This was attributed to a sharp slowdown in the increase of manufactured goods—which rose 1.2 percent, compared to 1.8 percent in April—representing the adjustment of industry to the sharp rises in oil prices. The cost of services also rose less rapidly last month, gaining 1.1 percent, compared to 1.4 percent a month earlier.

Food prices—up 1.3 percent—continued to climb at about the same rate as April's 1.4 percent gain.

French officials do not expect much of a slowdown in the rate of increase of the overall index until the final three months of the year, when the government's anti-inflation measures are expected to begin to bite.

**U.S. Lowers
Forecast for
Growth in '74**

2d Half Target of 4%
Revised Downward

WASHINGTON, June 27 (Reuters).—It now appears that U.S. economic growth in the second half "may be a little less than was previously expected," Herbert Stein, chairman of the Council of Economic Advisers, said today.

In his monthly press briefing, Mr. Stein also ruled out the possibility of a reduction in income taxes in the immediate future and said that he expected real earnings to grow this year at about 3 percent.

He told reporters that the sluggishness in the housing industry and continued big price increases raise the possibility that economic growth in the final six months of the year may be less than the 4 percent rise generally expected.

Recent economic developments gave the administration reason for concern over the growth of the economy in the second half, he said, and concern about the "critical inflation situation."

He said he still expected that by the end of the year the inflation rate would be around 7 percent as measured by the consumer price index and slightly higher as measured by the gross national product deflator.

Asked about remarks made by Treasury Secretary William Simon in testimony before Congress yesterday that the administration was considering tax incentives to encourage business investment, Mr. Stein said that "as far as the current or foreseeable situation is concerned, we have no intention of recommending a reduction in taxes."

He said that Mr. Simon was merely discussing possibilities.

**Price of Bullion Falls
To a Four-Month Low**

LONDON, June 27 (NYT).—The price of gold topped to a four-month low today on the London bullion market before a rally trimmed some of the losses.

Dealers attributed the decline to selling by unsophisticated speculators who purchased when the price was shooting upward early this year and then became nervous when confronted with the sustained decline of recent weeks.

Bullion closed at \$144.50 an ounce, down \$1.75 for the day, after diving to \$139 in the morning. This was the lowest price since Feb. 7.

**NYSE Prices Tumble
On Interest Rate Fears**

NEW YORK, June 27 (NYT).—Prices on the New York Stock Exchange, plagued by rising interest rates, inflation and big losses in some individual issues, were hammered down today for the tenth time in eleven sessions.

The Dow Jones industrial average sank 13.30 to 803.66. After a late correction due to a com-

puter snafu, yesterday's closing price was put at 816.96 and not 817.04.

Volume today totaled 12.65 million shares, compared with 11.41 million yesterday.

With a quarter-point prime rate increase to 11 3/4 percent becoming general, analysts said upward pressure on the rate could move it to 12 percent as early as next week. They noted that many investors awaited Federal Reserve key short term rate figures to be announced after the market closing. They said there was apprehension the figures would be disappointing.

As indeed they were, The Fed reported an increase of \$551 million in business loans for the latest statement week at New York City reporting banks. Even more significant to the near-term course of interest rates is the increase reported in the 90-day dealer-placed commercial paper rate.

The average for the latest week increased to a new record of 11.45 percent from 11.23 percent a week ago. Based on this increase, the formula-based prime lending rate of First National Bank of Chicago should increase as high as 12.05 percent next Monday. At present First Chicago leads the nation's banks with a prime rate of 11.80 percent.

On the Big Board, Westinghouse sank 2 5/8 to 12 1/8. Trading was halted late in the session, and did not resume pending a company statement on "irresponsible and unfounded" rumors.

McDonald's fell 1 7/8 to 47 1/8 after a loss of 6 3/4 yesterday.

Stocks of some real estate investment trusts were active and lower. Citizens & Southern fell 2 1/8 to 13, Lomas & Nettleton was off 3 3/8 at 16 1/4. Barnett Mortgage lost 1 5/8 at 11 5/8. Tri-South Mortgage fell 1 5/8 at 10 1/8 and Chase Manhattan Realty lost 3/8 at 18 5/8. Analysts related the losses to new problems of Continental Mortgage Investors, which yesterday reported lower fourth-quarter net and omitted its dividend.

Continental closed at 2 3/8, off 1 1/4, after a loss of 1 1/8 yesterday.

Gillette fell 3 1/4 to 29 in active trading after the company's highly regarded president resigned.

McCrory sank 3 3/8 to 6. Meshulam Riklis, chairman of both McCrory and Rapid American, said he would recommend to both boards that merger talks be terminated and reviewed again at the end of the year. Rapid American closed at 8, unchanged.

The American Stock Exchange index fell 1.10 to 79.39.

**COMPAGNIE FINANCIERE
de PARIS & des PAYS-BAS**

Key figures	(in Millions of Francs)	
	1972	1973
Paribas Group (consolidated)		
Total statement of condition	220.6	268.7
Share of Compagnie Financière	187.2	218.7
Result per share	Fr. 18.85	Fr. 21.52
Estimated value of Cie. Financière	3,670	3,790
Value per share	Fr. 361	Fr. 373
Compagnie Financière		
Capital funds	2,220.1	2,228.7
Profits for the financial year	98	115
Distribution of profits	89.3	96
Dividend per share	Fr. 9.—	Fr. 9.45

The Annual General Meeting, held June 5, 1974, approved the accounts for the 1973 financial year and voted a dividend distribution of Fr. 9.45.

The total of the Group's consolidated statement of condition increased from 31,168 to 36,946 million francs. The estimated consolidated value of the Compagnie Financière, exclusive of any operational goodwill, was established at 3,390 million francs as of December 31, 1973, as against 3,316 million francs as of December 31, 1972.

The Group's consolidated results came to 268.7 million francs, of which 218.7 million represent the share of Compagnie Financière, an increase of 16.8%. Investments represent 60% of this profit and results of banking and financial activity, 40%.

The net profit per share, an increase of 14.2%, progressed from Fr. 18.85 to Fr. 21.52.

During the year 1973 the group Paribas developed its business in the following areas:

—REINFORCEMENT OF TIES WITH THE COMPAGNIE BANCAIRE: The Group holds today 30% of the capital of the first major French and European specialized credit group.

—REORGANIZATION OF INTERESTS IN THE AREA OF COMMERCIAL BANKING: Studies and nego-

tiations for the merger of the Banque de l'Union Parisienne and the Crédit du Nord, both branches of the Union Bancaire of which Paribas is the principal shareholder. The merger should be completed in the next few weeks. The new bank, with more than 13 billion francs in deposits and a network of some 700 branches situated in France, is a first-ranking one.

—DEVELOPMENT OF IMPLANTATIONS ABROAD AND INTERNATIONAL ASSOCIATIONS: Paribas has concluded agreements with two British banks: S.G. Warburg, one of the most important merchant banks of London, and National Westminster Bank, one of the leading commercial banks in the United Kingdom. The Banque de Paris & des Pays-Bas have opened two branches in Germany and two in the Emirates of the Arabian Gulf. Lastly, in the Far East, the Group has signed an agreement of cooperation with the Trading Firm C. Itoh and participated in the creation of merchant banks at Hong Kong, Singapore, Kuala Lumpur and Djakarta.

—CREATION OF NEW ENTERPRISES: Concerned with responding to the needs springing from the energy crisis, the Group has created, with the cooperation of other establishments, ENERCO to promote projects destined to improve the payments balances of French energy, and FINERG to study and ensure the financing of important national and international projects for the production of energy.

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